

House Amendment 1569

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1 1 Amend House File 701 as follows:
1 2 #1. By striking everything after the enacting
1 3 clause and inserting the following:
1 4 1 5 paragraphs b and c, Code 2003, are amended to read as
1 6 follows:
1 7 b. "Cumulative inflation factor" means the product
1 8 of the annual inflation factor for the ~~1988~~ 2003
1 9 calendar year and all annual inflation factors for
1 10 subsequent calendar years as determined pursuant to
1 11 this subsection. The cumulative inflation factor
1 12 applies to all tax years beginning on or after January
1 13 1 of the calendar year for which the latest annual
1 14 inflation factor has been determined.
1 15 c. The annual inflation factor for the ~~1988~~ 2003
1 16 calendar year is one hundred percent.
1 17 Sec. 2. Section 422.5, subsection 1, paragraphs a
1 18 through i, Code 2003, are amended by striking the
1 19 paragraphs and inserting in lieu thereof the
1 20 following:
1 21 a. On all taxable income from zero through eight
1 22 thousand dollars, one and eighty-five hundredths
1 23 percent.
1 24 b. On all taxable income exceeding eight thousand
1 25 dollars but not exceeding forty thousand dollars, five
1 26 and three-tenths percent.
1 27 c. On all taxable income exceeding forty thousand
1 28 dollars but not exceeding sixty thousand dollars, six
1 29 and thirty-five hundredths percent.
1 30 d. On all taxable income exceeding sixty thousand
1 31 dollars, six and four-tenths percent.
1 32 Sec. 3. Section 422.5, subsection 1, paragraph j,
1 33 Code 2003, is amended to read as follows:
1 34 j. (1) The tax imposed upon the taxable income of
1 35 a nonresident shall be computed by reducing the amount
1 36 determined pursuant to paragraphs "a" through ~~"i"~~ "d"
1 37 by the amounts of nonrefundable credits under this
1 38 division and by multiplying this resulting amount by a
1 39 fraction of which the nonresident's net income
1 40 allocated to Iowa, as determined in section 422.8,
1 41 subsection 2, paragraph "a", is the numerator and the
1 42 nonresident's total net income computed under section
1 43 422.7 is the denominator. This provision also applies
1 44 to individuals who are residents of Iowa for less than
1 45 the entire tax year.
1 46 (2) The tax imposed upon the taxable income of a
1 47 resident shareholder in an S corporation which has in
1 48 effect for the tax year an election under subchapter S
1 49 of the Internal Revenue Code and carries on business
1 50 within and without the state may be computed by
2 1 reducing the amount determined pursuant to paragraphs
2 2 "a" through ~~"i"~~ "d" by the amounts of nonrefundable
2 3 credits under this division and by multiplying this
2 4 resulting amount by a fraction of which the resident's
2 5 net income allocated to Iowa, as determined in section
2 6 422.8, subsection 2, paragraph "b", is the numerator
2 7 and the resident's total net income computed under
2 8 section 422.7 is the denominator. If a resident
2 9 shareholder has elected to take advantage of this
2 10 subparagraph, and for the next tax year elects not to
2 11 take advantage of this subparagraph, the resident
2 12 shareholder shall not reelect to take advantage of
2 13 this subparagraph for the three tax years immediately
2 14 following the first tax year for which the shareholder
2 15 elected not to take advantage of this subparagraph,
2 16 unless the director consents to the reelection. This
2 17 subparagraph also applies to individuals who are
2 18 residents of Iowa for less than the entire tax year.
2 19 This subparagraph shall not affect the amount of
2 20 the taxpayer's checkoff to the Iowa election campaign
2 21 fund under section 56.18, the checkoff for the fish
2 22 and game fund in section 456A.16, the credits from tax
2 23 provided in sections 422.10, 422.11A, and 422.12 and
2 24 the allocation of these credits between spouses if the
2 25 taxpayers filed separate returns or separately on

2 26 combined returns.

2 27 Sec. 4. Section 422.5, subsection 1, paragraph k,
2 28 unnumbered paragraph 1, Code 2003, is amended to read
2 29 as follows:

2 30 There is imposed upon every resident and
2 31 nonresident of this state, including estates and
2 32 trusts, the greater of the tax determined in
2 33 paragraphs "a" through "d" and "j" or the state
2 34 alternative minimum tax equal to seventy-five percent
2 35 of the maximum state individual income tax rate for
2 36 the tax year, rounded to the nearest one-tenth of one
2 37 percent, of the state alternative minimum taxable
2 38 income of the taxpayer as computed under this
2 39 paragraph.

2 40 Sec. 5. Section 422.5, subsection 2, Code 2003, is
2 41 amended to read as follows:

2 42 2. However, the tax shall not be imposed on a
2 43 resident or nonresident whose net income, as defined
2 44 in section 422.7, is ~~thirteen fifteen~~ thousand ~~five~~
2 45 ~~hundred~~ dollars or less in the case of married persons
2 46 filing jointly or filing separately on a combined
2 47 return, unmarried heads of household, and surviving
2 48 spouses or ~~nine eleven~~ thousand dollars or less in the
2 49 case of all other persons; but in the event that the
2 50 payment of tax under this division would reduce the
3 1 net income to less than ~~thirteen fifteen~~ thousand ~~five~~
3 2 ~~hundred~~ dollars or ~~nine eleven~~ thousand dollars as
3 3 applicable, then the tax shall be reduced to that
3 4 amount which would result in allowing the taxpayer to
3 5 retain a net income of ~~thirteen fifteen~~ thousand ~~five~~
3 6 ~~hundred~~ dollars or ~~nine eleven~~ thousand dollars as
3 7 applicable. The preceding sentence does not apply to
3 8 estates or trusts. For the purpose of this
3 9 subsection, the entire net income, including any part
3 10 of the net income not allocated to Iowa, shall be
3 11 taken into account. For purposes of this subsection,
3 12 net income includes all amounts of pensions or other
3 13 retirement income received from any source which is
3 14 not taxable under this division as a result of the
3 15 government pension exclusions in section 422.7, or any
3 16 other state law. If the combined net income of a
3 17 husband and wife exceeds ~~thirteen fifteen~~ thousand
3 18 ~~five hundred~~ dollars, neither of them shall receive
3 19 the benefit of this subsection, and it is immaterial
3 20 whether they file a joint return or separate returns.
3 21 However, if a husband and wife file separate returns
3 22 and have a combined net income of ~~thirteen fifteen~~
3 23 thousand ~~five hundred~~ dollars or less, neither spouse
3 24 shall receive the benefit of this paragraph, if one
3 25 spouse has a net operating loss and elects to carry
3 26 back or carry forward the loss as provided in section
3 27 422.9, subsection 3. A person who is claimed as a
3 28 dependent by another person as defined in section
3 29 422.12 shall not receive the benefit of this
3 30 subsection if the person claiming the dependent has
3 31 net income exceeding ~~thirteen fifteen~~ thousand ~~five~~
3 32 ~~hundred~~ dollars or ~~nine eleven~~ thousand dollars as
3 33 applicable or the person claiming the dependent and
3 34 the person's spouse have combined net income exceeding
3 35 ~~thirteen fifteen~~ thousand ~~five hundred~~ dollars or 3 36 eleven thousand dollars as
applicable.

3 37 In addition, if the married persons', filing
3 38 jointly or filing separately on a combined return,
3 39 unmarried head of household's, or surviving spouse's
3 40 net income exceeds ~~thirteen fifteen~~ thousand ~~five~~
3 41 ~~hundred~~ dollars, the regular tax imposed under this
3 42 division shall be the lesser of the ~~maximum state~~
3 43 ~~individual income tax rate product of eight percent~~
3 44 times the portion of the net income in excess of
3 45 ~~thirteen fifteen~~ thousand ~~five hundred~~ dollars or the
3 46 regular tax liability computed without regard to this
3 47 sentence. Taxpayers electing to file separately shall
3 48 compute the alternate tax described in this paragraph
3 49 using the total net income of the husband and wife.
3 50 The alternate tax described in this paragraph does not
4 1 apply if one spouse elects to carry back or carry
4 2 forward the loss as provided in section 422.9,
4 3 subsection 3.

4 4 Sec. 6. Section 422.5, subsection 5, Code 2003, is
4 5 amended to read as follows:

4 6 5. Upon determination of the latest cumulative

4 7 inflation factor, the director shall multiply each
4 8 dollar amount set forth in subsection 1, paragraphs
4 9 "a" through ~~"i"~~ "d", of this section by this
4 10 cumulative inflation factor, shall round off the
4 11 resulting product to the nearest one dollar, and shall
4 12 incorporate the result into the income tax forms and
4 13 instructions for each tax year.

4 14 Sec. 7. Section 422.9, subsection 1, Code 2003, is
4 15 amended to read as follows:

4 16 1. An optional standard deduction, after deduction
4 17 of federal income tax, equal to one thousand two
4 18 hundred thirty dollars for a married person who files
4 19 separately or a single person or equal to three
4 20 thousand thirty dollars for a husband and wife who
4 21 file a joint return, a surviving spouse, or an
4 22 unmarried head of household. The optional standard
4 23 deduction shall not exceed the amount remaining after
4 24 deduction of the federal income tax. The amount of
4 25 federal income taxes deducted shall not exceed the
4 26 amount as computed under subsection 2, paragraph "b".

4 27 Sec. 8. Section 422.9, subsection 2, paragraph b,
4 28 Code 2003, is amended by striking the paragraph and
4 29 inserting in lieu thereof the following:

4 30 b. Add the amount of federal income taxes paid in
4 31 a tax year beginning on or after January 1, 2003, but
4 32 before January 1, 2006, to the extent the payment is
4 33 for a tax year beginning prior to January 1, 2003.
4 34 Subtract the amount of federal income tax refunds
4 35 received in a tax year beginning on or after January
4 36 1, 2003, but before January 1, 2006, to the extent
4 37 that the federal income tax was deducted on an Iowa
4 38 individual income tax return for a tax year beginning
4 39 prior to January 1, 2003.

4 40 Sec. 9. Section 422.11B, Code 2003, is amended to
4 41 read as follows:

4 42 422.11B MINIMUM TAX CREDIT.

4 43 1. There is allowed as a credit against the tax
4 44 determined in section 422.5, subsection 1, paragraphs
4 45 "a" through "d" and "j", for a tax year an amount
4 46 equal to the minimum tax credit for that tax year.

4 47 The minimum tax credit for a tax year is the
4 48 excess, if any, of the adjusted net minimum tax
4 49 imposed for all prior tax years beginning on or after
4 50 January 1, 1987, over the amount allowable as a credit
5 1 under this section for those prior tax years.

5 2 2. The allowable credit under subsection 1 for a
5 3 tax year shall not exceed the excess, if any, of the
5 4 tax determined in section 422.5, subsection 1,
5 5 paragraphs "a" through "d" and "j", over the state
5 6 alternative minimum tax as determined in section
5 7 422.5, subsection 1, paragraph "k".

5 8 The net minimum tax for a tax year is the excess,
5 9 if any, of the tax determined in section 422.5,
5 10 subsection 1, paragraph "k", for the tax year over the
5 11 tax determined in section 422.5, subsection 1,
5 12 paragraphs "a" through "d" and "j", for the tax year.

5 13 The adjusted net minimum tax for a tax year is the
5 14 net minimum tax for the tax year reduced by the amount
5 15 which would be the net minimum tax if the only item of
5 16 tax preference taken into account was that described
5 17 in paragraph (6) of section 57(a) of the Internal
5 18 Revenue Code.

5 19 Sec. 10. APPLICABILITY DATE. This Act applies
5 20 retroactively to January 1, 2003, for tax years
5 21 beginning on or after that date.>

5 22 #2. Title page, by striking lines 1 through 3 and
5 23 inserting the following: 5 24 individual income tax by eliminating the deduction for
5 25 federal taxes paid and adjusting the income tax rates
5 26 and bracket amounts and including a retroactive
5 27 applicability date provision.>

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